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C O N F I D E N T I A L MOSCOW 000523

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STATE FOR EUR/RUS WARLICK AND EB/IFD/OMA DETWILER  
TREASURY FOR LEE AND BAKER  
NSC FOR GRAHAM AND MCKIBBEN

E.O. 12958: DECL: 02/06/2017  
TAGS: [EFIN](#) [IZ](#) [KTIA](#) [RS](#)  
SUBJECT: RUSSIA: IRAQI DEBT RELIEF UPDATE

REF: STATE 11880 AND PREVIOUS

Classified By: Ambassador William J. Burns for reasons 1.4 (b/d).

¶1. (C) Summary. On February 5, reftel concerns about delays in the signing of Russia's bilateral debt agreement with Iraq were raised with Kremlin Foreign Policy Advisor Prikhodko and Deputy Finance Minister Storchak. Prikhodko told the Ambassador that the GOR was not linking the final signature on the agreement to new conditions, and suggested that the issue would be resolved soon. Storchak relayed a similar message to Economic Minister-Counselor, adding that it was possible Finance Minister Kudrin would be in a position to report Russia's willingness to move forward on the debt deal in his meeting with Treasury Secretary Paulson this weekend. End Summary.

¶2. (C) The Ambassador approached Kremlin Foreign Policy Advisor Prikhodko February 5 to urge a speedy conclusion to Russia's bilateral debt agreement with Iraq. Prikhodko stated the debt deal was not linked to Russian commercial contracts in Iraq, but noted deep concern at senior GOR levels that Russian firms were not being accorded equal access to commercial opportunities in Iraq. The Ambassador emphasized the priority placed by the USG on closing the debt chapter in Iraq, to which Prikhodko suggested that the matter might be settled soon.

¶3. (C) In a separate approach February 5 to Deputy Finance Minister Storchak, Economic Minister-Counselor emphasized the danger Russia's behavior posed to the integrity of the Paris Club process, and Russia's responsibility as a member of the Paris Club to help lead other creditors outside the Club toward favorable treatment of Iraq. Economic Minister-Counselor highlighted the upcoming Paulson-Kudrin meeting on the margins of the G-7 Finance Minister meeting in Germany as an ideal opportunity to signal GOR readiness to close the Iraqi debt deal.

¶4. (C) Storchak expressed understanding for USG concerns about the Paris Club process, and reiterated that Kudrin and the Ministry had been careful not to link the final signature on the debt deal to any new conditions. He confirmed that the agreement is ready for signature and that there are no outstanding technical issues. Final approval for signature from the Kremlin, however, was still not forthcoming. Storchak agreed that the upcoming meeting with Paulson would be a good target date to lay this issue to rest, and said he would work with Kudrin to see if they could get the necessary Kremlin go-ahead in the days remaining before he would see

Paulson.  
BURNS